

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1

ERRATA FILED BY UNITED PARCEL SERVICE
TO THE DIRECT TESTIMONY OF UPS
WITNESS DAVID E. M. SAPPINGTON (UPS-T-6)
(June 30, 2000)

Pursuant to the response of United Parcel Service ("UPS") witness David E. M. Sappington (UPS-T-6) to interrogatory USPS/UPS-T6-24, filed today, Dr. Sappington's testimony on page 18, line 15, should be revised as follows: change "which is the same markup that" to "which provides the same markup index that." A revised page is attached.

Respectfully submitted,



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Of Counsel.

1 volume and marginal cost, which corresponds to area B in Figures 1 and 2) and specific
2 fixed costs. The sum of these costs serves as the attributable cost markup base for
3 determining a service's appropriate share of institutional costs.

4 Once the Commission is presented with incremental cost estimates that it
5 believes to reasonably approximate incremental costs as properly defined and
6 measured, those estimates of incremental cost should be used as the attributable cost
7 base that is marked up in determining each service's appropriate contribution to
8 institutional costs.

9 IV. PRIORITY MAIL RATE RECOMMENDATION

10 A. The Recommendation

11 Based upon careful consideration of both the criteria specified in § 3622(b) of the
12 Act and the special circumstances in this case and in the R97-1 rate case, I recommend
13 a 40.3% increase in the average rate for Priority Mail. This rate increase represents a
14 cost coverage of 176% and a markup (the ratio of contribution to attributed cost) of
15 76%, which **provides** the same markup **index** that the Postal Service proposes for First
16 Class Mail in this case. Under this recommendation, Priority Mail's markup index (the
17 ratio of its markup to the systemwide markup) is 1.395.

18 B. Basis for the Recommendation

19 Prior to R97-1, Priority Mail had consistently been assigned a cost coverage that
20 exceeded both the systemwide average cost coverage and the cost coverage assigned
21 to First Class Mail. A higher cost coverage for Priority Mail is appropriate, given the

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document by first class mail, postage prepaid, in accordance with Section 12 of the Commission's Rules of Practice.

A handwritten signature in black ink, appearing to read 'William J. Pinamont', written over a horizontal line.

William J. Pinamont
Attorney for United Parcel Service

Dated: June 30, 2000
Philadelphia, Pa.